electricity networks association

T +64 4 471 1335

Level 5, Legal House
101 Lambton Quay
Wellington 6011

PO Box 1017
Wellington 6140
New Zealand

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Distribution pricing reform – A roadmap of overall progress

This is the third six monthly publication of distributors roadmaps on pricing reform. In this update we follow a similar format to the roadmap we published in October 2017 – that is, we describe progress with the joint pricing reform activities that ENA members have been engaged in since that time, and we update our summary table of members individual progress.

Since October 2017 ENA members have progressed pricing reform to a greater or lesser degree which will be reflected in their own individual roadmaps. Progress has been made by a number of networks in signalling time-of-day peaks through the availability of time-of-use pricing. .

In addition to their own reform activities, since October 2017 members have participated in collaborative activities that, taken together, contribute a great deal to pricing reform, as follows.

1.0 Distribution pricing work group

The DPWG meets regularly to progress greater standardisation and consistency across members pricing arrangements. It is also the champion of pricing reform and leads this process across all the ENA members networks.

1.1 Guidance on pricing reform for members

Following publication of the pricing reform guidance report in August 2017, a subgroup of the DPWG was set up to progress the ENA implementation strategy for pricing reform. This group is developing tools and processes to provide members with practical guidance on how to progress pricing reform, and on the complex issues relating to implementation of reform that need to be dealt with over an extended transition timeline.

1.2 October 2017 workshop

A workshop of ENA members was held in October to develop ideas for implementation and transitioning pricing reform. It was well attended by ENA members as well as two pricing reform experts from Australia. Among other outcomes, the workshop agreed that work was needed to consider how the diversity of members approach to reform could be managed to provide a consistent result that benefited both consumers and network businesses. The pricing strategy sub-group was allocated this task.

2.0 Next steps with pricing reform

The following are the initiatives that are underway in 2018 as ENA members move forward with pricing reform.

2.1 Implementation strategy

As noted, a new workgroup of ENA members was formed in late 2017 to focus on developing an overall strategy for implementing pricing reform and then working with individual members to develop their own implementation approach. This group has since initiated a work stream to analyse a number of 'candidate' pricing options at individual consumer level using energy consumption data from a sample of end customers. These analytics will help the group, and members, understand the bill impacts from pricing changes and from there to develop options for further analysis and to consider the important issues around implementation and transition.

The first two stages of results from this analysis are due by mid-2018 and the need for further analytical work and the stakeholder consultation processes, will be assessed at that time.

The other important aspects of the implementation of pricing reform are technical – information handling and processing, systems capability and the like. These are being addressed by a joint EDB/retailer Technical Implementation Working Group that is making great early progress. The substantive work of this group is shaped by the output of the strategy group to date, as well as from the groups own research and analysis.

Once these two work-groups have progressed their work to have substantive outputs (expected mid 2018) we intend to hold retailer and stakeholder workshops to get feedback on our progress.

2.2 ENA coordination

The ENA has been tasked by its members to ensure that the process of reform is not only efficient across the membership but that individual reform efforts are coordinated and consistent.

3.0 Overall timeline

In their October 2017 roadmaps, some ENA members noted that reform of distribution pricing was conditional on changes and progress in other parts of the energy sector. Reform of the LFC was prominent in this regard as was the Electricity Authority work programme. Timing of these matters remains unclear.

Since that time, other major industry initiatives have been announced that may impact on pricing reform in the longer term, however we intend to press on with the reform programme that we have in train. ENA members are committed to timely release of their pricing reform roadmaps.

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
Alpine	1 April 2020	Further scoping and consideration of pricing approaches	We intend to consult with stakeholders within the next 12 months.
Aurora	No change. Any structural changes to pricing is likely to occur post 2020.	Initial engagement with retailers continues.	We intend to review the output of the DPWG working groups to help inform us of possible solutions to the technical impediments of pricing reform. Refer – The Power Company
Buller	Pricing reform work program will be reviewed following the release of the Authority's revision of their pricing principles in mid-2018, and the release of further information by the ENA's pricing strategy and technical implementation working groups.	No change	No other comments.
Centralines	2019 for practical changes such as possible removal of LFC and to adjust TOU pricing for in field learnings 2020 & beyond for more structural change	Unison jointly commissioned a study on impact of Electric vehicle growth and implications for pricing. Monitoring growing TOU segment in our network. Following / participating in DPWG analysis of 'candidate' pricing options.	Government review likely to drive short term price change (e.g. LFC). Longer term electricity services becoming less homogenous. We see multiple segments /services driving change in network investment and need for multiple pricing models to fairly

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
			reflect costs and service delivered. Users ability to respond to price signals could be constrained from access to data / technology
Counties	No change – reform is already underway	First customers are now using Counties Power's mass market cost reflective pricing	All retailers using smart meter data which cover 90% of ICP's.
Eastlands	Progress is as per plan though a little slower than anticipated.	A new cost of supply model is complete. A review of systems and processes is now underway.	Eastland has a board committee to monitor pricing and other aspects of the regulated business.
Electra	No change	No change	No other comments
EA Networks	No change	We have now completed our bi-annual Customer Survey. This helps to inform us of customer views with respect to all aspects of our business but also includes pricing.	We continue to work with ENA Distribution Pricing Working Group sub-group and are part of the Strategic Pricing Working Group. We will lean heavily on the outputs of these group and other materials as may be produced by the ENA at a broader industry level.
Electricity Invercargill Limited	Refer – The Power Company	Refer – The Power Company	Refer – The Power Company
Horizon	We continue to plan towards April 2020 as the target for trialling change, with full implementation targeted for April 2021.	Completed initial consultation with Retailers and consumers to discuss high level views on potential price reforms.	Continue to work within ENA sub-groups to progress development in a coordinated approach

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		Preliminary work has commenced on system evaluation.	
Mainpower	April 2018 refinement of current structure to meet retailer concerns and achieve greater standardisation. April 2019 is likely date for first cost reflective prices.	Engagement of Concept Consulting and Axos Systems to undertake impact assessment. Consultation with rural customers as preparation for changes to irrigation pricing. Refinement and updating of cost of supply model. Consideration of options for large industrial customers. Engaging with other regionally aligned EDB's to review options within the frameworks established by ENA DPWG.	Updated roadmap published on website and provided to Electricity Authority.
Marlborough	No change	Undertaking a study of the widespread impact of photovoltaics on its network	Undertaking cost study of servicing customers in remote areas
Nelson Electricity	Still 1 April 2020	No change	No other comments
Network Tasman	April 2020 identified as target date for implementing new pricing structures.	Continued focus on rationalisation and standardisation of existing pricing.	Clarity required around pricing principles and possible reform to LFC.
Network Waitaki	April 2021 remains the likely implementation date.	Continue to review pricing options.	No other comments

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
Northpower	Northpower is closely following the industry working groups on pricing reform and including the learnings in its own review. This has meant some timeframes have pushed out slightly. Given the productive discussions between ENA and ERANZ around access to data, we expect the detailed analysis work can now be progressed.	In the pricing applicable from 1 April 2018, Northpower included a small trial of more cost-reflective pricing for unmetered load, moving from a solely fixed charge per day per fixture to a combination of a fixed daily charge per fixture plus a demand charge assessed on fixture wattage.	No other comments
Orion	April 2020 remains the likely date for material changes to pricing.	We intend to progress analysis of options identified in our 2017 consultation and to consult further on this later in the year. This work will incorporate feedback received in 2017 as well as the results of ENA sponsored workstreams.	Much of our effort is in support of the ENA strategic and technical implementation working groups. In terms of our own process, we have completed a first round of customer consultation. We are pleased to see a higher profile being given by government to review of the LFC regulations. See our pricing methodology and related documents for more detailed information.
Powerco	April 2020/2021 remains the likely date for implementation of more	System developments on track: system capability review	Consultation continues with stakeholders. Positive

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	cost reflective pricing across both regions.	completed, and transition strategy initiated. Cost-of-supply model is currently being re-developed to provide additional granularity about cost allocations which will provide a basis for GXP-ICP transition.	feedback received from retailers about our TOU pricing trial. Uptake continuing to improve with 291 ICPs as of March 2018. Continuing our engagement and involvement with multiple industry working groups to ensure a coordinated and consistent approach to pricing reform where possible.
The Power Company Limited	April 2020 is the initial target date for pricing change.	Two pilot initiatives have commenced, the first involves the setup of a “smart house” the second is a partnership with emh Trade and a community group, monitoring customer behaviours. Results from these will be used in the development of future pricing options	Smart meter rollout 55% complete.
OtagoNet Joint Venture	Refer – The Power Company	Refer – The Power Company	Refer – The Power Company
Scanpower	No change	No change	No other comments
Top Energy	No change to timeline. Completed 2017/2018 actions	Implemented new billing system which has the capability to bill alternative pricing options. Further customer engagement on price and quality of supply.	Continue to align with industry including ENA, ERANZ and Working Groups. Consultation with Retailers is planned over the next period.

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
		Several discussions on access to data to enable progress on pricing options – access still outstanding	
Unison	2019 for practical changes such as possible removal of LFC and to adjust TOU pricing for in field learnings 2020 & beyond for more structural change	Unison jointly commissioned a study on impact of Electric vehicle growth and implications for pricing. Monitoring growing TOU segment in our network. Following / participating in DPWG analysis of 'candidate' pricing options.	Government review likely to drive short term price change (e.g. LFC). Longer term electricity services becoming less homogenous. We see multiple segments /services driving change in network investment and need for multiple pricing models to fairly reflect costs and service delivered. Users ability to respond to price signals could be constrained from access to data / technology
Vector	Implementation phase of any new price plans is likely to commence in 2020 with mooted introduction of a revenue cap	Partnering with Mercury to undertake a trial for peak time rebates (PTRs) during winter 2018.	No other comments
Waipa	No change	No new initiatives	We intend to consult with Retailers later in the year to determine if our 1 April 2019 date for full transition to TOU needs to be reviewed.
WEL	Implemented ToU on 1 April 2018.	No new initiatives	WEL will continue to review our pricing to ensure it meets The Authority's pricing principles, our pricing

EDB	Update to timeline for roll-out of reform	Initiatives underway since previous update	Other comments
			strategy, and enables innovation and the efficient use of new technologies on WEL's network.
Wellington	Indicative timeline remains unchanged at this stage	WELL conducted a trial in 2017 to better understand the home charging behaviour of EV owners. The data gathered from this trial was analysed and assisted WELL in modifying its EV pricing offer. From July 2018, WELL will move to an opt-in two rate time of use plan for EV owners. WELL will keep monitoring uptake and behaviour through the year	No other comments
Westpower	Westpower's roadmap and timeline is being updated to take into account the lack of clarity that exists with regard to LFC regulation reform, and the upcoming central government review of the sector. Pricing options are still being considered and analysis is to come mid this year. Westpower will take the time to review this analysis as part of its reform process.	No new initiatives have commenced since the last update.	